

SECRET

Project no. 42.655

2 February 1955

Afro/Asian Conference, Trade Agreements

Requester:

[Redacted]

Acting Branch:

[Redacted]

SECRET

25X1

INTRODUCTION

Commercial relations between Communist China and Afro-Asian area countries are discussed in Part I. Soviet commercial relations with these countries are summarized in Part II.

25X1

The question of underfulfillment of trade agreements has not been emphasized because they are agreements merely to promote trade in certain commodities or up to certain values. Failure to fulfill the quotas, if any, outlined in a trade agreement, can hardly be construed as malfeasance.

25X1

I. Communist China's Economic Relations with Afro-Asian Countries

A. Communist Chinese Trade Overtures to Afro-Asian Countries

Communist Chinese trade overtures have been directed to the Western industrial countries and to Asian and Far Eastern countries. China is continually working to increase her political and economic influence in Asia and the Far East and, consequently, economic ties with countries of these areas are planned and carried out in such a manner as to maximize the political advantages to be derived therefrom. Considerable propaganda has been devoted to attacking the U. S. - sponsored restrictions on Chinese trade with free-world nations.

Some of the more frequently emphasized lines of Communist Chinese trade propaganda are the following:

1. The U. S. imposed embargo has been inefficient and actually has harmed non-Bloc countries by disrupting the historic pattern of trade.
2. The trade of Communist China is carried out on the basis of equality and mutual advantage, and is beneficial and free of inconveniences.
3. There are no foreign exchange problems involved in trade with Communist China, since imports may be balanced by exports.
4. Communist China offers a large and stable market.
5. Communist China is the world's largest supplier of many important commodities.

It can be expected that Chinese representatives at the Afro-Asian Conference will espouse these lines of propaganda. It is likely that the

United States and other western countries will be blamed for the economic 25X1
difficulties of Asian and Far Eastern countries. China will then be
depicted as offering a large, stable and advantageous market.

Southeast Asian countries are particularly vulnerable to this
propaganda because many of them are completely dependent upon one or two
export commodities for their foreign exchange requirements. Inasmuch as
many of these countries have exportable surpluses of such commodities as
rice, rubber and tin, Communist China can obtain considerable political
advantages by providing an outlet for these surpluses.

The commodities which Communist China is most likely to seek are
rubber (from Ceylon, Indonesia, Malaya, Thailand and Burma), jute (from
India), and possibly cotton and petroleum from Pakistan and Indonesia
respectively. Rice will very likely continue to be imported by China
wherever maximum political advantage can be obtained.

China is most likely to offer foodstuffs, oils and oilseeds,
coal, some textiles and miscellaneous manufactured products. China might
also offer cash and Soviet Bloc products as well (as in the case of Burma),
but cash payments, apparently, are not desired. There have been indications
that China is desirous of entering the Southeast Asian textile market in
competition with Japan and the United Kingdom. At the present time,
however, her export capacity in textiles is small and exports, if any,
would probably be accomplished at the expense of domestic consumption.

B. **Commercial Agreements Between Communist China and Afro-Asian Countries.**
of the Afro-Asian countries

/ Communist China's official commercial ties have been limited to Asian and Far Eastern countries. Trade or barter agreements are now in effect with Burma, Ceylon, India and Indonesia. Numerous contracts have been negotiated with Japanese traders but Sino-Japanese trade is seriously constrained because of the influence of the United States in Japan. A barter agreement with Pakistan was effected in 1953 but has not been renewed.

Communist China's commercial agreements contain provisions for settling trade imbalances by currency exchanges, but balanced trade is striven for.

25X1

Communist China's trade relations with Burma, Ceylon, India, Indonesia, Japan and Pakistan are summarized as follows:

25X1

Burma:

25X1

A three-year trade agreement was signed by Burma and Communist China on 22 April 1954. Payments are to be made in pounds sterling.

Burma is to make available:

1. rice and rice products
2. beans and pulses
3. oil cake
4. raw cotton
5. sesame and peanut cake
6. mineral ores
7. timber
8. rubber

China is to make available:

1. silk and silk textiles
2. cotton textiles
3. paper
4. agricultural implements
5. light industrial products
6. handicraft products
7. enamelware
8. porcelain
9. canned goods
10. pharmaceuticals and medical supplies
11. tea
12. cigarettes

The first major contract under this trade agreement was a contract concluded in November 1954 for 150,000 long tons of Burmese rice. Sixty percent of the value of this rice is to be met by Chinese barter goods, twenty percent by Chinese re-exports of Soviet Bloc goods and twenty percent by cash.

25X1

25X1

It can be expected that the Chinese Communist representatives to the conference will propagandize this agreement. It is possible that new contracts will be concluded immediately prior to, or during the conference in order to maximize the propaganda value of such trade contracts.

Ceylon:

The ~~principles~~ trade agreement between Ceylon and Communist China involves the exchange of Ceylonese rubber for Chinese rice. This five-year agreement, signed in December 1952, stipulates that the governments of China and Ceylon agree to exchange 50,000 metric tons of Ceylonese sheet rubber and 270,000 metric tons of Chinese rice annually at prices determined once each year.

Ceylon has frequently expressed dissatisfaction over the size of the rice imports. Surpluses have developed and Ceylon has made efforts to re-export quantities of the rice. Nevertheless, Ceylon re-newed a contract on the same terms for 1955 shipments, apparently because the benefits derived from exporting the rubber outweigh the disadvantages involved in disposing of rice in excess of her internal requirements.

India:

Communist China and India signed a two-year trade agreement in *Through negotiations concluded to date*
October 1954.² China is to import 4,500 short tons of tobacco leaf and India is to import 90 tons of raw silk. Negotiations for an additional exchange of 2,225 short tons of Indian tobacco and 1,500 tons of

25X1

25X1

Chinese rice have been reported. Successful conclusion of these negotiations would mean that total exchanges under this agreement would amount to a little over \$1 million each way to date. India has also offered China metallic ores and various manufactured goods while China has offered a variety of raw materials, glassware, textiles and other manufactures.

In 1953-1954 Indian exports to China amounted to \$1.7 million, compared with \$0.9 million in 1952-1953 and \$14.2 million in 1951-1952. Indian imports from China amounted to \$21 million in 1953-1954, \$27.4 million in 1952-1953 and \$33.4 million in 1951-1952.

Indonesia:

Communist China and Indonesia agreed in September 1954 to renew and extend the trade agreement of November 1953 to 31 July 1955. It was further agreed that the agreement would be renewed automatically for one year provided neither party gives written notice three months prior to its expiration.

Under this protocol, up to \$16.8 million worth of goods are to be exchanged. China is offering textiles, machinery, salted fish and other foods as well as miscellaneous manufactures. Indonesia is offering copra, coconut oil, sugar, coffee, quinine, timber, pepper, palm oil, citronella oil and various forestry products. It should be noted that Indonesia did not offer rubber and petroleum, commodities in which the Chinese have expressed interest in the past.

25X1

Japan:

There are no intergovernmental trade agreements in effect between Communist China and Japan. Trade between these two countries is restrained by East-West Trade controls, a fact which is thoroughly propagandized by the Communist Chinese and the Soviets. There has been considerable pressure on both sides for reductions in trade restrictions. Japan is particularly vulnerable to exploitation by this type of propaganda because of her serious need for larger export markets *as well as cheaper imports*. It can be expected that both sides will continue to press for increased trade.

Pakistan:

No trade agreement is known to be in effect between Communist China and Pakistan. In 1953, however, China is reported to have implemented a barter agreement under which 20,000 bales of Pakistan cotton were exchanged for Chinese coal.

II. Economic Relations Between the USSR and Afro-Asian Countries

A. Soviet Trade Overtures to Afro-Asian Countries

The Soviet Union has been attempting to enhance its political influence in Asia by increasing commercial ties and by offering limited technical assistance to underdeveloped countries. Soviet trade propaganda has attempted to blame the U.S. and other western countries for economic difficulties in these countries while playing up the Soviet Union's willingness to trade on more favorable terms, and to provide technical assistance for both agricultural and industrial development.

The Soviet propaganda line to these countries is exemplified by the following excerpts from statements made on 24 January by Efremov, the Chief of the Southeast Asia and Middle East Department of the Soviet Ministry of Foreign Trade:

"Soviet trade and economic relations with Southeast Asia are increasing every year. These relations agreed on the principles of mutual profits, full equality, and mutual respect of sovereignty.

"The recent trade agreement with India is very profitable to that country. Under the agreement, payment is made in rupees. The Soviet Union agreed to send technical aid to India for the installation of industrial equipment imported from the Soviet Union. India exports to the Soviet Union products which are usually exported by India and in return gets industrial equipment-- machinery, industrial raw materials, and many other goods.

In reply to a question concerning obstacles to Asian trade, Efremov said that "the basic obstacle is the American policy of trade discrimination. With regard to threatening to apply various kinds of sanctions against Asian countries, the United States is trying to obstruct Asian trade with the Soviet Union and other members of the democratic camp. The United States is imposing an embargo on Southeast Asian trade with the Chinese People's Republic. The American monopolies are worried that the countries of Asia, if allowed to trade with the democratic camp, will become independent of the capitalist market, thereby preventing the monopolists from getting more profits from underdeveloped countries. This will prevent them from obtaining cheap raw materials and from selling their wares at exorbitant prices.

"As is known, the United States and other Western countries do not sell machinery and capital goods to underdeveloped countries. The reason is that the monopolists are trying to prevent industrial development in their former colonies and to keep these former colonies as their cheap sources of raw materials. The American policy to prohibit Asian countries to develop economic relations with the democratic camp is meeting more and more resistance in these countries."

II. B. Commercial Agreements Between the USSR and Afro-Asian Countries

25X1

Of these countries which are likely to be represented at the Afro-Asian Conference, the Soviet Union has trade or barter agreements with Afghanistan, Egypt, India, Iran, Lebanon and Turkey. In addition, an informal, private trade agreement has been signed by a group of Japanese businessmen. Brief summaries of these commercial agreements are given as follows:

Afghanistan:

The most recent Soviet-Afghanistan trade agreement was signed in November 1954, and is of one year duration. Under the agreement the USSR is to supply oil products, metals, sugar, cotton fabrics, autos, machinery and medicinal supplies, whereas Afghanistan is to supply wool, cotton, raw leather, dried fruit and oil plant seeds.

This agreement is typical of those which have been in effect since 1950. The Soviets have asserted that total exchanges have increased in each year.

In addition to the exchange of goods, Soviet economic relations with Afghanistan have been extended to include technical assistance. In 1952, Soviet specialists installed several petroleum storage tanks. During 1954, Soviet technical personnel supervised the construction in Kabul of two grain elevators, a flour mill and a large bakery. Equipment, materials and engineering services for the projects are being supplied by the USSR on credit.

25X1

25X1

Egypt:

There is currently in effect between the USSR and Egypt a one year trade agreement which is due to expire in April 1955. The principal commodities being exchanged under this agreement are Soviet crude oil and petroleum products and Egyptian cotton. Provision was made also, however, for Soviet timber and forestry products, machinery and miscellaneous manufactures as well as various Egyptian raw materials and foodstuffs.^{5/}

India:

The first trade agreement between the USSR and India was signed in December 1953 and is to remain in effect for a period of five years. Under the terms of this agreement the Soviet Union is to export wheat and barley, petroleum, iron and steel products, tractors and agricultural machinery in exchange for Indian jute, tobacco, coffee, tea, spices and hides. Prior to this formal trade agreement trade between the two countries was carried out under intergovernmental barter agreements and private commercial transactions.

In mid-1954, the Soviet Union offered to equip and construct a steel mill of 500,000 tons annual capacity for India on credit. Repayment terms offered were ten equal yearly installments bearing two and a half percent interest. The Soviets would guarantee the smooth operation of the plant for ten years.

25X1

Iran:

Soviet-Iranian trade is carried out under quota lists for barter trade. The current quota agreement expires at the end of March 1955. Quotas are included for export by the USSR of sugar, cotton textiles, iron and steel, cement, forestry products, agricultural machinery, autos and other miscellaneous goods. Iranian exports permitted are fish and fish products, fruits, rice and other food products as well as skins, ores and carpets. Current quotas for Soviet cement, agricultural machinery and autos are significantly higher than those for the previous year.

Japan:

Because the USSR has not established diplomatic relations with Japan, no intergovernmental trade agreement is in effect between the two countries. However, for several months past a Soviet trade delegation has been making concerted efforts to negotiate trade contracts amounting to some \$40 million each way. These negotiations are the result of an informal trade agreement concluded in May 1954 between the Soviet Ministry of Foreign Trade and a private group of Japanese businessmen. It is very doubtful that the total value of contracts between the two countries will approach the optimistic and much-publicized total of \$60 million.

Trade negotiations have been hampered by Japanese objection to the poor quality of Sakhalin coal and the high prices of Soviet timber and forestry products and various manufactured goods. The Soviets have signed contracts for about \$3 million worth of Japanese vessels.

Lebanon:

The current trade and payments agreement between the USSR and Lebanon was concluded in April 1954. The agreement was to be of one-year duration, but automatic extension was provided for, barring disagreement by either party.

The agreement provided for Lebanese exports up to a value of \$4.5 million, sixty percent of which was to be in the form of citrus fruits. Vegetable oils, wool and wool textiles, and leather goods were also to be made available by Lebanon.

Soviet exports up to a value of \$3.0 million were provided for. Among Soviet goods offered were sawn timber, coal, paper, chemicals, medicines, motor vehicles, agricultural machines and various other manufactures.

Turkey:

Barter agreements have been effected between the USSR and Turkey in the past two years. Petroleum products have comprised the bulk of Soviet exports but limited quantities of Soviet timber and cement have also been shipped. Turkish tobacco, cotton and livestock have been given in exchange. ^{B/}